

Impact of interest rate fluctuation on the Financial Services sector



1. Key issues for PE clients

- Assets valuation
- Reduced leverage
- Reduced number of exits
- Increased focus on operational improvements to create value



2. Key issues for Banking clients

- "Higher for longer" rates: e.g. loan and valuation losses on assets
- Interest margin repricing challenges
- Possible impact on capital and liquidity
- Bigger returns for leverage in trading and investment banking



3. Key issues for Asset Management clients

- Portfolio reallocation
- Distressed situations in real estate
- AMs under pressure as almost no transaction fees
- ESG less important?



- 4. Key issues for Insurance clients
- Distressed assets (e.g. in real estate participations)
- Movements in hidden reserves/hidden losses in assets and liabilities e.g. actuarial reserves
- Impact on transactions (e.g. portfolio transfers)

Discussion questions

- 1. What does this mean for you as a Head of Tax/leader of tax department in terms of supporting the business?
- 2. Which tax technical issues do you need to focus more on? (an example might be tax deductibility of interest but what others?)
- 3. What might you and your team be doing differently?





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